

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT

For The Year Ended June 30, 2004

The Auditor of Public Accounts has completed the audit of the Trimble County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion on the governmental activities, each major fund and aggregate remaining fund information financial statements of Trimble County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$5,066,863 as of June 30, 2004. The fiscal court had unrestricted net assets of \$3,020,531 in its governmental activities as of June 30, 2004, with total net assets of \$5,066,863. The fiscal court had total debt principal as of June 30, 2004 of \$615,983 with \$75,430 due within the next year.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The fiscal court deposits were uninsured and uncollateralized by bank securities or bonds by \$491,758 as of August 31, 2003.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trimble County, Kentucky's basic financial statements. The accompanying supplementary information, individual fund financial statements, is presented for additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 25, 2005 on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 25, 2005

TRIMBLE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Randy K. Stevens	County Judge/Executive
Kirby Melvin	Magistrate
Stephen L. Stark	Magistrate
Forrest Burkhardt	Magistrate
Norvel Barnes	Magistrate

Other Elected Officials:

Perry Arnold	County Attorney
Bobby Temple	Jailer
Jerry L. Powell	County Clerk
June Ginn	Circuit Court Clerk
Tim Coons	Sheriff
Glen Perkinson	Property Valuation Administrator
William Ransdell	Coroner

Appointed Personnel:

Regina Rand	County Treasurer
Jane Staples	Finance Officer

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TRIMBLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

TRIMBLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 3,020,531
Total Current Assets	<u>3,020,531</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Construction In Progress	23,882
Land	423,900
Buildings	495,222
Building Improvements	780,160
Land Improvements	41,342
Vehicles and Equipment	431,024
Infrastructure Assets - Net of Depreciation	<u>466,785</u>
Total Noncurrent Assets	<u>2,662,315</u>
Total Assets	<u>5,682,846</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations Payable	<u>75,930</u>
Total Current Liabilities	<u>75,930</u>
Noncurrent Liabilities:	
Financing Obligations Payable	<u>540,053</u>
Total Noncurrent Liabilities	<u>540,053</u>
Total Liabilities	<u>615,983</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,046,332
Unrestricted	<u>3,020,531</u>
Total Net Assets	<u><u>\$ 5,066,863</u></u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 923,839	\$ 936,548	\$ 125,513	\$
Protection to Persons and Property	550,349	128,601	35,689	
General Health and Sanitation	208,241		109,158	
Social Services	11,176			
Recreation and Culture	53,663		10,481	
Roads	370,718		613,001	
Debt Service	25,336			
Total Governmental Activities	2,143,322	1,065,149	893,842	

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Interest

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	
Governmental Activities	Totals
\$ 138,222	\$ 138,222
(386,059)	(386,059)
(99,083)	(99,083)
(11,176)	(11,176)
(43,182)	(43,182)
242,283	242,283
(25,336)	(25,336)
(184,331)	(184,331)
153,057	153,057
1,818	1,818
39,263	39,263
123,486	123,486
26,938	26,938
161,216	161,216
73,381	73,381
579,159	579,159
394,828	394,828
4,672,035	4,672,035
<u>\$ 5,066,863</u>	<u>\$ 5,066,863</u>

The accompanying notes are an integral part of the financial statements.

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TRIMBLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

TRIMBLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	License Fee Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 541,962	\$ 386,879	\$ 2,084,781	\$ 6,909	\$ 3,020,531
Total Assets	<u>\$ 541,962</u>	<u>\$ 386,879</u>	<u>\$ 2,084,781</u>	<u>\$ 6,909</u>	<u>\$ 3,020,531</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 541,962	\$	\$	\$	\$ 541,962
Special Revenue Funds		386,879	2,084,781	6,909	2,478,569
Total Fund Balances	<u>\$ 541,962</u>	<u>\$ 386,879</u>	<u>\$ 2,084,781</u>	<u>\$ 6,909</u>	<u>\$ 3,020,531</u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 3,020,531
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	3,535,473
Depreciation	(873,158)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(615,983)</u>
Net Assets Of Governmental Activities	<u>\$ 5,066,863</u>

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TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>License Fee Fund</u>
REVENUES			
Taxes	\$ 317,623	\$	\$
Excess Fees	26,938		
Licenses and Permits	869,148		
Intergovernmental	259,701	613,001	
Charges for Services	109,668		
Miscellaneous	159,122	7,035	62,400
Interest	7,374	7,592	58,371
Total Revenues	<u>1,749,574</u>	<u>627,628</u>	<u>120,771</u>
EXPENDITURES			
General Government	337,749		
Protection to Persons and Property	372,468		
General Health and Sanitation	200,741		
Social Services			
Recreation and Culture	15,396		
Roads		803,224	
Debt Service	105,159		
Administration	517,037	25,162	
Total Expenditures	<u>1,548,550</u>	<u>828,386</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>201,024</u>	<u>(200,758)</u>	<u>120,771</u>
Other Financing Sources (Uses)			
Capital Lease Proceeds	97,000		
Refunded Capital Lease Principal	(92,800)		
Transfers From Other Funds	133,959		
Transfers To Other Funds	(172,650)	(44,790)	(114,146)
Total Other Financing Sources (Uses)	<u>(34,491)</u>	<u>(44,790)</u>	<u>(114,146)</u>
Net Change in Fund Balances	166,533	(245,548)	6,625
Fund Balances - Beginning (Restated)	375,429	632,427	2,078,156
Fund Balances - Ending	<u>\$ 541,962</u>	<u>\$ 386,879</u>	<u>2,084,781</u>

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 317,623
	26,938
	869,148
40,073	912,775
	109,668
58	228,615
45	73,382
<u>40,176</u>	<u>2,538,149</u>
675	338,424
169,262	541,730
7,500	208,241
6,003	6,003
44,127	59,523
	803,224
	105,159
6,106	548,305
<u>233,673</u>	<u>2,610,609</u>
 <u>(193,497)</u>	 <u>(72,460)</u>
	97,000
	(92,800)
197,650	331,609
<u>(23)</u>	<u>(331,609)</u>
<u>197,627</u>	<u>4,200</u>
4,130	(68,260)
2,779	3,088,791
<u>\$ 6,909</u>	<u>\$ 3,020,531</u>

The accompanying notes are an integral part of the financial statements.

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**TRIMBLE COUNTY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

**TRIMBLE COUNTY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	(68,260)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	549,420
Depreciation Expense	(161,955)
Capital Lease Proceeds	(97,000)
Refunded Capital Lease Principal	92,800
Lease principal payments are expensed in the Governmental Funds as a use of current financial resources.	
Capital Lease Principal Payments	79,823

Change in Net Assets of Governmental Activities	394,828
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TO THE FINANCIAL STATEMENTS**

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**TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Additional - Trimble County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the officials above from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. The county does not report any business-type activities, and therefore, no such information is presented.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental). The fiscal court may also designate any fund as major.

Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the financial statements.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

License Fee Fund - The purpose of this fund is to account for funds received from waste hauling permits and license fees. The funds may be used for any purpose.

The government also has the following nonmajor funds: Jail Fund, Local Government Economic Assistance Fund, and Child Abuse Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

F. Long-term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of August 31, 2003, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$491,758 of public funds uninsured and unsecured.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2003.

	<u>Bank Balance</u>
FDIC Insured	\$ 300,000
Collateralized with securities held by the county's agent in the county's name	2,427,784
Uncollateralized and uninsured	<u>491,758</u>
Total	<u><u>\$ 3,219,542</u></u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 423,900	\$	\$	\$ 423,900
Construction In Progress		23,882		23,882
Total Capital Assets Not Being Depreciated	423,900	23,882		447,782
Capital Assets, Being Depreciated:				
Buildings	601,393	10,545		611,938
Building Improvements	848,000			848,000
Land Improvements	74,914			74,914
Vehicles and Equipment	1,037,846	8,825		1,046,671
Infrastructure		506,168		506,168
Total Capital Assets Being Depreciated	2,562,153	525,538		3,087,691
Less Accumulated Depreciation For:				
Buildings	(104,557)	(12,159)		(116,716)
Building Improvements	(33,920)	(33,920)		(67,840)
Land Improvements	(31,376)	(2,196)		(33,572)
Vehicles and Equipment	(541,350)	(74,297)		(615,647)
Infrastructure		(39,383)		(39,383)
Total Accumulated Depreciation	(711,203)	(161,955)		(873,158)
Total Capital Assets, Being Depreciated, Net	1,850,950	363,583		2,214,533
Governmental Activities Capital Assets, Net	\$ 2,274,850	\$ 387,465	\$ 0	\$ 2,662,315

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 37,109
Protection to Persons and Property	41,326
Social Services	5,173
Recreation and Culture	4,685
Roads, Including Depreciation of General Infrastructure Assets	73,662
Total Depreciation Expense - Governmental Activities	<u>\$ 161,955</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Financing Obligations

A. Bedford Fire Truck

On December 31, 1998, the fiscal court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust to borrow \$148,000 at 4.96 percent for the purchase of a fire truck for the Bedford Fire Department. The county refinanced the lease on November 12, 2003 in amount of \$97,000, with variable interest rates ranging from 1% to 3.8%. The date of retirement for the lease remained May 20, 2009. The county will make semi-annual payments of varying amounts in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2005	\$ 16,000	\$ 2,251
2006	17,000	1,858
2007	17,000	1,412
2008	18,000	943
2009	12,000	562
Totals	<u>\$ 80,000</u>	<u>\$ 7,026</u>

B. Courthouse Renovation

On May 22, 2002, the fiscal court entered into a lease agreement the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts until 2012 in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2005	\$ 59,930	\$ 20,016
2006	61,825	17,634
2007	63,778	15,174
2008	65,795	12,633
2009	67,876	10,009
2010-2012	216,779	13,396
Totals	<u>\$ 535,983</u>	<u>\$ 88,862</u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Financing Obligations (Continued)

C. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 691,606	\$ 97,000	\$ 172,623	\$ 615,983	\$ 75,930
Governmental Activities					
Long-term Liabilities	<u>\$ 691,606</u>	<u>\$ 97,000</u>	<u>\$ 172,623</u>	<u>\$ 615,983</u>	<u>\$ 75,930</u>

Note 5. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$21,136 in interest on capital leases.

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Deferred Compensation

On February 24, 2000, the Trimble County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered Supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental activities is an increase of \$1,583,244, due to capital assets previously not reported.

Also, the beginning fund balances of the General Fund and Road Fund have been restated by \$411 and \$252, respectively, due to voided checks written in the prior year.

Note 10. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction to arrive at estimated historical cost.

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TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 320,500	\$ 320,500	\$ 317,623	\$ (2,877)
Excess Fees			26,938	26,938
Licenses and Permits	925,500	925,500	869,148	(56,352)
Intergovernmental Revenue	66,897	188,626	223,001	34,375
Charges for Services	90,000	90,000	109,668	19,668
Miscellaneous	153,500	153,500	159,122	5,622
Interest	10,000	11,055	7,374	(3,681)
Total Revenues	<u>1,566,397</u>	<u>1,689,181</u>	<u>1,712,874</u>	<u>23,693</u>
EXPENDITURES				
General Government	403,167	410,617	337,749	72,868
Protection to Persons and Property	413,900	397,876	372,468	25,408
General Health and Sanitation	123,400	207,958	200,741	7,217
Recreation and Culture	18,250	18,250	15,396	2,854
Debt Service	43,169	62,193	68,459	(6,266)
Administration	705,899	593,675	517,037	76,638
Total Expenditures	<u>1,707,785</u>	<u>1,690,569</u>	<u>1,511,850</u>	<u>178,719</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(141,388)</u>	<u>(1,388)</u>	<u>201,024</u>	<u>202,412</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease Proceeds			97,000	97,000
Refunded Capital Lease Principal			(92,800)	(92,800)
Transfers From Other Funds			133,959	133,959
Transfers To Other Funds	<u>(271,295)</u>	<u>(271,295)</u>	<u>(172,650)</u>	<u>98,645</u>
Total Other Financing Sources (Uses)	<u>(271,295)</u>	<u>(271,295)</u>	<u>(34,491)</u>	<u>236,804</u>
Net Changes in Fund Balance	(412,683)	(272,683)	166,533	439,216
Fund Balance - Beginning (Restated)	<u>412,683</u>	<u>412,683</u>	<u>375,429</u>	<u>(37,254)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 140,000</u>	<u>\$ 541,962</u>	<u>\$ 401,962</u>

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 514,430	\$ 514,430	\$ 613,001	\$ 98,571
Miscellaneous	500	1,350	7,035	5,685
Interest	13,500	13,500	7,592	(5,908)
Total Revenues	528,430	529,280	627,628	98,348
EXPENDITURES				
Roads	807,699	968,299	803,224	165,075
Administration	58,000	38,250	25,162	13,088
Total Expenditures	865,699	1,006,549	828,386	178,163
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(337,269)	(477,269)	(200,758)	276,511
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(44,790)	(44,790)
Total Other Financing Sources (Uses)			(44,790)	(44,790)
Net Changes in Fund Balance	(337,269)	(477,269)	(245,548)	231,721
Fund Balance - Beginning (Restated)	337,269	337,269	632,427	295,158
Fund Balance - Ending	\$ 0	\$ (140,000)	\$ 386,879	\$ 526,879

TRIMBLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

LICENSE FEE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Licenses and Permits	\$ 13,000	\$ 63,000	\$ 62,400	\$ (600)
Interest	111,000	61,000	58,371	(2,629)
Total Revenues	124,000	124,000	120,771	(3,229)
EXPENDITURES				
Administration	174,000	174,000		174,000
Total Expenditures	174,000	174,000		174,000
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(50,000)	(50,000)	120,771	170,771
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(114,146)	(114,146)
Total Other Financing Sources (Uses)			(114,146)	(114,146)
Net Changes in Fund Balances	(50,000)	(50,000)	6,625	56,625
Fund Balances - Beginning	50,000	50,000	2,078,156	2,028,156
Fund Balances - Ending	\$ 0	\$ 0	\$ 2,084,781	\$ 2,084,781

TRIMBLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**TRIMBLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

TRIMBLE COUNTY
COMBINING BALANCE SHEET-
NON -MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Jail Fund	LGEA Fund	Child Abuse Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,352	\$ 2,557	\$	\$ 6,909
Total Assets	<u>\$ 4,352</u>	<u>\$ 2,557</u>	<u>\$ 0</u>	<u>\$ 6,909</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 4,352	\$ 2,557	\$	\$ 6,909
Total Fund Balances	<u>\$ 4,352</u>	<u>\$ 2,557</u>	<u>\$ 0</u>	<u>\$ 6,909</u>

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TRIMBLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

TRIMBLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Jail Fund	LGEA Fund	Child Abuse Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 29,592	\$ 10,481	\$	\$ 40,073
Miscellaneous	58			58
Interest		45		45
Total Revenues	<u>29,650</u>	<u>10,526</u>		<u>40,176</u>
EXPENDITURES				
General Government		675		675
Protection to Persons and Property	169,262			169,262
General Health and Sanitation		7,500		7,500
Social Services		6,003		6,003
Recreation and Culture		44,127		44,127
Administration	6,106			6,106
Total Expenditures	<u>175,368</u>	<u>58,305</u>		<u>233,673</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(145,718)</u>	<u>(47,779)</u>		<u>(193,497)</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	147,650	50,000		197,650
Transfers To Other Funds			(23)	(23)
Total Other Financing Sources (Uses)	<u>147,650</u>	<u>50,000</u>	<u>(23)</u>	<u>197,627</u>
Net Change in Fund Balances	1,932	2,221	(23)	4,130
Fund Balances - Beginning	2,420	336	23	2,779
Fund Balances - Ending	<u>\$ 4,352</u>	<u>\$ 2,557</u>	<u>\$ 0</u>	<u>\$ 6,909</u>

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**TRIMBLE COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2004

**TRIMBLE COUNTY
COMMENT AND RECOMMENDATION**

Fiscal Year Ended June 30, 2004

REPORTABLE CONDITIONS

INTERNAL CONTROL WEAKNESSES

None.

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On August 31, 2003, \$491,758 of the county's deposits of public funds in depository institutions was uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the county require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Judge/Executive Randy Steven's Response:

We will request monthly monitoring per agreement as well as quarterly reports.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy K. Stevens, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Report On Internal Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trimble County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and that is described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of
The Financial Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of Trimble County Fiscal Court and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 25, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

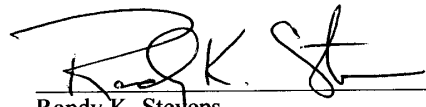
TRIMBLE COUNTY FISCAL COURT

For The Year Ended June 30, 2004

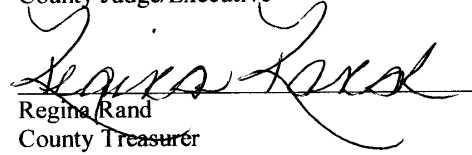
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Randy K. Stevens
County Judge/Executive



Regina Rand
County Treasurer

